Approved 8/21/2017

State Employee Benefits Committee
Tatnall Building, Room 112
Dover, Delaware 19904

The State Employee Benefits Committee met July 24, 2017. The following people were in attendance:

Committee Members:
Mike Jackson, Director, OMB, Chair
Sandy Johnson, Secretary of DHR
Mike Morton, CGO
Amy Quinlan, Designee of Chief Justice, Administrator of Courts
Nathan Roby, Designee of OST
Stu Snyder, Designee of DOI
Jeff Taschner, DSEA
Dr. Kara Walker, Secretary of DHSS
Keith Warren, Designee of the Lt. Governor

Guests:
Brenda Lakeman, Director, Statewide Benefits Office (SBO)
Faith Rentz, Deputy Director, SBO
Lisa Porter, SBO
Andrew Kerber, DOJ
Rebecca Byrd, The Byrd Group
David Craik, Pension Office
Karin Faulhaber, PHRST
Jacqueline Faulcon, DSRPA
Darcell Griffith, Univ of DE

Guests (continued):
Kim Hawkins, City of Dover
Leighann Hinkle, SBO
Mary Kate McLaughlin, Drinker Biddle
Paula Roy, DCSN
Mark Ryde, DSTA
George Schreppler, DCSN
Christine Schultz, PGS
Jim Testerman, DSEA-R

Mike North, Aetna
Wendy Beck, Highmark
Peg Eitl, Highmark
Jennifer Mossman, Highmark
Pam Price, Highmark
Judy Grant, HMS
Walt Mateja, Truven Consulting
Garrett Bell, Willis Towers Watson
Kevin Fyock, Willis Towers Watson
Chris Giovannello, Willis Towers Watson
Jaclyn Iglesias, Willis Towers Watson
Rebecca Warnken, Willis Towers Watson

Introductions/Sign In
Director Jackson called the meeting to order at 2:00 p.m. Introductions were made.

Approval of Minutes - handout
The Director requested a motion to approve the minutes from the June 26th SEBC meeting. Controller General Morton made the motion and Mr. Taschner seconded the motion. The motion carried.

Director's Report – Brenda Lakeman, Statewide Benefits Office (SBO)
Updated stats were provided for the vendors of health, dental, vision and supplemental benefits from Open Enrollment. Sanctions were put in place for 884 members who did not complete the Spousal Coordination of Benefits form during Open Enrollment. The Patient Centered Outcomes Research Institute (PCORI) fee of $265,985 was paid July 12th for FY17.

Financial Reporting
June 2017 Fund & Equity (F&E) Report - handout – Chris Giovannello, Willis Towers Watson (WTW)
June showed overall a strong close to the fiscal year. Claims came in $4.7M below premium contributions adding a surplus to the fund. The Other Revenue section shows the $1.1M direct subsidy payment for EGWP. WTW observed that a few ESI revenue items are getting lumped into one item rather than being split out, correlates to the $545K for direct subsidy and $525K for federal reinsurance. WTW intends to reallocate some of these dollars. The June F&E report will be reissued next month with these revisions to the allocations, no change in dollars. A $12.4M true-up rebate payment came through in June leaving the fund with a $102.7M balance creating a $25M variance with the reserve. Director asked WTW with $777M in claims, is there an understanding of what the actual increase is and growth from prior year. The F&E report shows the minimum reserve about $25M over and above the recommended target of $24M where in previous years, this was set at $79M so in using this as a benchmark, the fund is in good shape. As a reminder, the claim liability is refreshed each quarter and may increase as healthcare trend increases. The minimum reserve is revisited once a year, in early 2018. Rebate payments appear lower than budgeted; WTW showed if examine

the true-up row, there's $26M in true-up payments that weren't accounted for in previous two rows, after adding all of the rebates together, the plan actually came out ahead. SBO did account for the timing of the rebates for the FY18 budget.

Legislative Update – handout - Brenda Lakeman, SBO
HB203 – Diabetes Reporting: Requires the Division of Medicaid and Medical Assistance, Division of Public Health and OMB to provide data reporting of activities as it relates to diabetes. The first report is due June 30, 2019 and progress updates will be shared with the committee.

HB4 – Department of Human Resources: Certain divisions within OMB are placed under Department of Human Resources with Acting Secretary Saundra Johnson. These divisions include Human Resource Department, Labor Relations, Statewide Benefits & Insurance Coverage, and the new office of Women's Advocacy & Advancement. SBO will continue to be the administrative support for SEBC.

HS1 to SB275 – Epilogue Updates to the operating budget for FY18 include three sections that apply to SEBC.

- Section 23 – Active Enrollment change: Includes language SEBC worked on by changing the process of OE each year where SEBC can decide whether to have an active enrollment and offer default plan selections.
- Section 24 - Double State Share (DSS) change: Effective January 1, 2018, those remaining eligible for DSS will pay 50% of the employee premium or $25 per month, whichever is greater with exception to those where both members are retired and in a Medicare plan prior to July 1, 2017. Communications will be sent to those members affected to make them aware and to allow them to change plans due to change in premium.
- Section 25 – SEBC charge: SEBC is to achieve a minimum savings of $2M for the GHIP for FY18 effective January 1, 2018.

HJR7 – House Joint Resolution 7 - Dr. Walker shared another piece of legislation adopted that instructed the Secretary to create an implementation plan for a healthcare benchmark and to create a report to be delivered in December as this resolution expires in June. This allows for many conversations on how to measure healthcare costs and measure growth. Recent data from CMS shows Delaware is 3rd highest state in the country in per capita costs and healthcare rankings show Delaware 31st. This is a chance to examine what to do with healthcare in Delaware, how to use models that are working in other states, how to bring the hospitals together, the need to look at healthcare costs and payment structure to create a plan that works for our State. This will be a highly engaged stakeholder path to create this plan.

FY18 Planning and Plan Management – handout – Kevin Fyock, Willis Towers Watson
This relates to the fiscal year planning and overall plan management with respect to Budget Act epilogue Section 25. The long term health care cost projections chart was viewed as the goal is to reduce the deficit using the strategic framework. The FY19 projections will not change significantly, even though the end of year experience is anticipated to be favorable. WTW believes the $47M deficit for FY19 is still accurate. Any changes made now will have a compounding effect in future years. Mr. Fyock continued with reorienting the committee using the strategic framework with the mission statement and core concepts showing a benchmark and tracking progress for each concept. For adequate access, WTW opted to use a very broad definition but does have the ability to break it down further (primary care, specialists). Dr. Walker requested to provide that detail and how many are in value based arrangements. Three main goals identified last year to focus on were reviewed with a progress dial or speedometer, timing and steps taken and actions planned to be revisited on a regular basis. Director Jackson asked that a financial value be added to each model for long term projection which WTW will check into. Dr. Walker expressed concerned that Goal #3 appears almost completed and requested WTW to revisit that benchmark as there is much more to do to get value and push costs in the direction we want such as value based plans, how providers engage in consumer driven plans, feedback, looking at data in a different way, and providing what percent of employees of enrolled in CDH plan. WTW will revisit that 25% metric.

The multi-year framework was revisited as the FY2018 Epilogue language (Section 25) charges SEBC with identifying savings in the next few months to reach the target of $2M savings for FY18 effective January 1, 2018. An exhibit showing the focal points for first half of FY18 was examined. Ms. Iglesias provided a more in depth view of these FY18 opportunities. Mr. Taschner asked for benchmarks or framework to identify which are minimal, moderate and

significant against the $2M target and indicate possible savings for each one. Some of the opportunities require specific feedback from the vendors to predict savings. Mr. Taschner asked when shifting the plan costs, does it reduce the overall plan cost or just shift costs from the plan to employees. Ms. Warnken responded that by adding deductibles, this will reduce the overall GHIP spend. Mr. Taschner expressed concerned with the two month time frame, need to focus on reducing overall plan spend versus putting it on the employees. Dr. Walker stated the real pressure are items not addressed here such as more primary base care, better coordinated services, and examining the 30% health care costs that are unnecessary and wasted care. The real challenge is outside of the scope of SEBC. It's not enough to look at plan design, but will need more conversation outside of SEBC and how we as a State hold each other accountable in the healthcare space for better quality and better costs. Center of Excellence (COE) was introduced in the fall of 2015 and there is interest to look at it outside of the state to drive competition as a few providers control the market and dictate the costs. Director reiterated HJR7 is beyond the scope of SEBC and will be a statewide conversation on healthcare. The second piece is some of the savings of these initiatives may need to be built into the cost of the plan. This may not be accomplished in eighteen months. Dr. Walker provided an example of how another state was able to push down costs by 2% by publishing what their costs are in different hospitals.

Tools that the State has implemented to provide member's additional visibility into the total cost of health care services was reviewed. Continued education and the use of these cost transparency tools is important to see longer term savings. Controller General Morton asked if the use of the myBenefitsMentor tool provided accounting for the Highmark HMO plan and if a lot of members changed their plan design based on the calculation. Ms. Lakeman responded people did not move away from the PPO as was indicated to them in their myBenefitsmentor communications and chose to remain with Highmark.

High performing providers were reviewed within the GHIP current state, impact and next steps. Some potential for savings over time is anticipated. Dr. Walker suggested a feedback loop to the providers and that system to determine if making progress, steering better costs and higher quality. Site-of-Service steerage was covered which is where members pay lower out-of-pocket costs for using appropriate place of service for the care they need. Referenced-based pricing was reviewed yet not in place today. Dr. Walker requested more background on how it would be set whether in Delaware or regional. WTW has identified other services as candidates to encourage members to use Centers of Excellence (COE) versus a non-high performing provider within the network. Plan design changes were revisited from prior discussions including adding deductibles in a spectrum of options. These would have immediate savings with a direct negative impact on members. Ms. Lakeman mentioned that SEBC does not have the authority to change the cost share as it does to add deductibles. Next step is to focus on these items at the next meeting along with future opportunities for FY19.

Disability Rule and Regulation Proposed Changes – handout - Brenda Lakeman
This involves a claimant receiving Long Term Disability benefits that has been over paid while on Short Term Disability. The addition of Section 16.7 would address any overpayment by allowing the Hartford to recoup the overpayment from a long term disability check and return those funds to the State. Concern was expressed that it would heavily impact members on disability, their overall financial situation and to use a repayment plan or different approach. Ms. Lakeman responded a repayment plan has been attempted and is the reason for this change as people refuse to pay. It was suggested to put a stipulation or consider a percentage to recover over-payments. Director Jackson recommended to revisit this item next month.

Public Comments
None

Other Business
None

Director Jackson announced the next meeting is scheduled for Monday, August 21st and then requested a motion to adjourn the meeting. Controller General Morton made the motion and Mr. Snyder seconded the motion. Meeting adjourned at 3:29 pm.

Respectfully submitted,

Lisa Porter
Executive Secretary
Statewide Benefits Office